



MF

AUDIT AND MANAGEMENT CONSULTING DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES

Reference: AUD-7-7: 7 ( 895 /01)

16 July 2001

To: Mr. Rolf Goran Knutsson, Executive Secretary  
United Nations Compensation Commission

From: Esther Stern, Director   
Audit and Management Consulting Division, OIOS

Subject: **OIOS Audit Number AF2001/33/1: Management Review of the United Nations Compensation Commission Phase-out Activities**

1. I am pleased to present herewith our final report on the subject review, which was conducted in Geneva from March through May 2001.
2. We note from your response to the draft report that UNCC has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 1, 4 to 6, 8, 9, 12, 14, 16, 20, 22, and 23 in the AMCD recommendation database. Recommendation 10 has been withdrawn. In order for us to close out the remaining recommendations - recommendations 2, 3, 7, 11, 13, 15, 17 to 19, and 21 we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of implementation status. Please reply by 31 August 2001.
3. AMCD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I take this opportunity to thank the management and staff of UNCC for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to:

Mr. J. Connor

Mr. J.P. Halbwachs

UN Board of Auditors

Planning and compliance Officer, OIOS

Mr. D. Knutsen

**United Nations**  
**OFFICE OF INTERNAL OVERSIGHT SERVICES**  
***Audit and Management Consulting Division***



**Management Review of the United Nations Compensation Commission**

**Phase-out Activities**

**Assignment No. AF2001/33/1**

**Report date: 16 July 2001**

**Audit team: Dagfinn Knutsen, Auditor-in-Charge  
Byung-Kun Min, Auditor**

## Management review of the United Nations Compensation Commission phase-out activities (AF2001/33/1)

### Executive Summary

From March through May 2001 OIOS, at the request of the former United Nations Compensation Commission (UNCC) Executive Secretary, conducted a management review of UNCC in Geneva. The primary objectives of the review were to address issues relating to the planned phasing out of UNCC's work programme by the end of 2003. Based on a January 2001 meeting with representatives of UNCC, in New York, it was agreed that the review would include: (i) downsizing planning; (ii) management structure; (iii) post-2003 activities planning; (iv) document management policies; and (v) other phase-out activities.

#### Results in brief:

- ❑ Certain UNCC rules had not been adhered to and, in some instances, policy issues had not been adequately addressed, which may become obstacles to the efficient processing of claims, and prevent completion of the work programme on schedule by the end of 2003. For example:
  - Article 41, which requires that certain types of errors be brought to the attention of the Executive Secretary within 60 days, had not been adhered to;
  - The policy establishing the criteria for filing late claims needed to be reviewed and the Governing Council informed of the implications on the work of UNCC; and
  - The policy for responding to substantive claim queries needed to be reviewed.
- ❑ Significant A and C claims matters were still being brought to the attention of UNCC, which had to divert resources to address them. Likewise, it was unclear whether F3 and E1 claims could be completed within the established schedule.
- ❑ The Claims Processing Division had proposed additional time for completing F4 and D1, D2/E4 overlap claims. It was anticipated that the F4 category could not be completed before the end of 2004, thus requiring support services subsequent to 2003.
- ❑ While the preliminary plans prepared by the various divisions and sections represented a good initial effort to plan for the phase-out, no formal mechanism had been established to coordinate the planning process, assign tasks and monitor their implementation.
- ❑ In order to complete the work programme on schedule, UNCC has placed considerable reliance on developing a retention strategy to encourage existing staff to remain. However, taking into consideration the historically high turnover rate for professional, especially legal, staff, it was questionable whether this strategy alone would be sufficient.
- ❑ Wide-ranging authority on personnel matters had been delegated to UNCC, however, it was not yet clear how some of these delegations could be implemented since they were not all agreed to

by the Governing Council.

- ❑ With the completion of several claim categories and expected management changes, by the end of 2001 and late 2002, there will be an opportunity to assess personnel needs and rationalize the management structure by reducing staff levels and not replacing key management posts expected to become vacant.
- ❑ An effective document retention policy had not been established, making it impossible to plan an effective archiving strategy for the large quantity of claim documentation on hand.
- ❑ A plan to assess facility requirements and disposal of expendable and non-expendable equipment had not been implemented. Furthermore, coordination with UNOG regarding the phase-out plans needed to be pursued.

#### Major recommendations:

Our major recommendations are as follows:

- ❑ UNCC should propose policy guidelines for the Governing Council regarding: (i) article 41 claims time limits, (ii) acceptance of late claims; and (iii) replying to substantive queries in order to facilitate planning for the completion of the work programme.
- ❑ Management should review the staffing requirements of the Claims Processing Section by the end of 2002 and make appropriate staff reductions.
- ❑ A management committee should be established and made responsible for phase-out planning, assigning responsibility for specific tasks, and monitoring progress of the downsizing plan.
- ❑ A strategy should be developed to mitigate the risk associated with the current staffing strategy that places undue reliance on a staff retention programme.
- ❑ An appropriate policy should be established for retaining legal section staff, after approval of the last instalment of claims categories by the panel, which should be limited to a maximum of three months after panel approval of recommendations.
- ❑ With completion of work by the F1, F2 and F3 claims processing sections at the end of 2001 and with the departure of key personnel, UNCC should rationalize the management structure by the end of 2001, and further review its structure at the end of 2002 to ensure that the current staff situation and reporting lines are reflected.
- ❑ Document retention policies should be developed to enable the establishment of a cost-effective archiving method.
- ❑ With the impending departure of staff, the requirements for office facilities should be reviewed and rationalized in order to optimise the use of office space and avoid unnecessary expenditures.

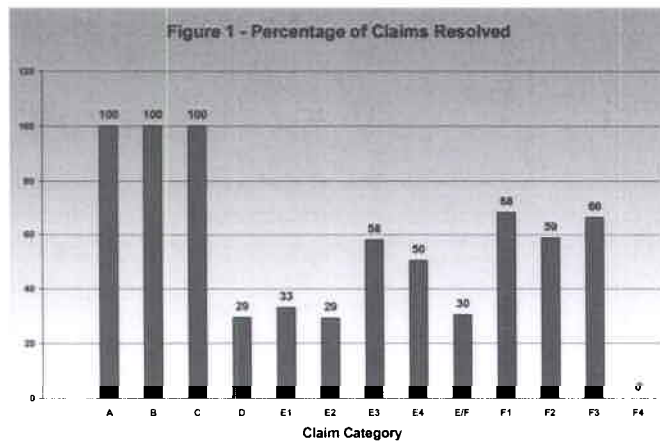
## TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 – 4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE	6
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Preliminary downsizing planning	
(i) Policy guidelines need to be established in certain areas	7 – 15
(ii) Support sections' phase out plans need to be clarified	16 – 21
(iii) A phase-out planning capacity needs to be established	22 - 23
(iv) Staffing issues need to be resolved	24 - 25
(v) Further action is needed to implement staff retention measures	26 - 30
B. Management structure	31 – 36
C. Post-2003 activities	37 - 38
D. Document management	
(i) An archiving policy needs to be developed	39 – 44
E. Other administrative issues	
(i) Other liquidation activities should be properly planned	45 – 48
(ii) A plan needs to be developed for disposal of expendable equipment	49 – 52
(iii) UNOG should be kept informed of relevant developments	53 - 55
V. ACKNOWLEDGEMENT	56

## I. INTRODUCTION

1. In March, April and May 2001, OIOS conducted a review of the United Nations Compensation Commission (UNCC) in Geneva. The review was performed in accordance with the general and specific standards for the professional practice of internal auditing in United Nations organizations.

2. The UNCC was established in 1991 as a subsidiary organ of the United Nations Security Council. Its mandate is to process claims and pay compensation for losses and damages suffered as a direct result of Iraq's invasion of Kuwait. Compensation is payable to successful claimants from a Compensation Fund that receives 25 per cent of its funds from Iraqi oil revenues. UNCC is composed of three bodies: the Governing Council, the Panels of Commissioners and the Secretariat.



3. UNCC has received approximately 2.6 million claims from individuals, corporations, governments and international organizations seeking compensation for alleged losses worth more than \$300 billion. The UNCC has verified, using its in-house expertise, more than 2.5 million claims with an asserted value of \$12 billion. Figure 1 shows the percentage of claims resolved in each claim category as of 19 March 2001. As well as processing cases in-house, UNCC has engaged consultants to assist in processing many of the remaining claims for

losses suffered by corporations, governments and international organizations, with an asserted value of \$288 billion. To date, the work of UNCC and the panels' review of the claims is on target, however it is likely that certain complex environmental claims will require additional processing time. Barring unforeseen developments, UNCC expects to complete its work programme by the end of 2003.

4. The findings and recommendations contained in this report were discussed with UNCC management, who were provided with a summary of the major findings during the exit conference. In addition, an audit observation on staffing matters was issued to UNCC management, which generally agreed with the recommendations made in the audit observation. Management's comments on the draft report are reflected in this report as appropriate and are identified in italics.

## II. AUDIT OBJECTIVES

5. The objectives of the audit were to:

- (i) Review the preliminary downsizing plan by assessing its appropriateness and

impact on the work of the Commission;

- (ii) Assess the proposed organizational structure for the phase-out period, and determine if it enables the Commission to complete its work programme in an economical, efficient and effective manner;
- (iii) Identify possible options in order to continue essential activities after 2003;
- (iv) Review plans for archiving the Commission's documents; and
- (v) Evaluate the impact of other residual phase-out tasks that need to be addressed by the Commission.

### **III. AUDIT SCOPE**

6. The management review focused on the planned downsizing of the Commission and covered areas that were identified in the preliminary review carried out in March 2001. In order to prevent or mitigate risks associated with the planned downsizing of the Commission, audit activities focused on: (a) progress on the work programme; (b) the extent and need for support activities; (c) legal issues still to be clarified; (d) archiving of records; (e) information technology (IT) support; (f) claims payment procedures; and (g) continuing work requirements after 2003. Our aim was also to identify obstacles in the areas noted above, which may prevent UNCC from completing its work programme within the established time frame.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Preliminary downsizing planning**

##### Policy guidelines need to be established in certain areas

7. Effective management of its work programme has allowed UNCC to meet its completion deadlines. However, it is anticipated that there will be a need to extend certain deadlines in the future to enable completion of several claim categories. The most significant revision is anticipated in the F4 category, for environmental claims totalling approximately \$46 billion, which may be extended until the end of 2004, one year after the proposed UNCC closure date. Also, D1 and D2/E4 overlap claims may be extended by six months, although they are still expected to be completed in 2003. Extensions have also been requested for the F3 and E1 claims categories. For the F3 category, the responsible section indicated that it was unclear when the work programme would be completed. Regarding the E1 category an additional three months may be required. While it is understandable that certain complex categories may require extensions, we are of the opinion that management should carefully monitor progress on these and other claim categories to prevent unnecessary extensions.

8. We also found that there are significant issues regarding claim categories A and C, including



requests to accept late claims. For example, a request has been made for a late filing of 1,000 category C claims for Palestinians. In another case, 4,000 category C claims may be filed by Sri Lanka. Furthermore, an average of 500 substantive queries, and requests for correction under article 41 are received per month. The Claims Processing Division (CPD) Director's office currently handles substantive queries. A similar situation exists with regard to category C claims where a substantial number of article 41 corrections continue to be received on a regular basis.

9. UNCC has adopted certain working practices in order to efficiently carry out claims processing. Some of these practices come under the framework of the Provisional Rules for Claims Procedures, while other practices result from decisions of the Governing Council (GC). Other working practices have been informally adopted. Our review found that in many instances the policies were unclear and, in other cases, established rules (e.g. article 41) had not been followed. This has resulted in additional work, the inability to properly plan work and may be a significant barrier to completing the work programme by the end of 2003.

10. Article 41 of the Provisional Rules for Claims Procedures requires that any correction of claims, which may be required as a result of computational, clerical or typographical errors must be brought to the attention of the Executive Secretary within 60 days and reported to the GC which will decide whether any action is necessary. This rule has not been enforced by the GC, and has resulted in requests for corrections being made even years after the official deadline has expired. In our opinion, this resulted from the 60-day deadline being too short to allow for submission of corrections. While it is reasonable in some circumstances to allow extensions, there needs to be an increase of the article 41 period or a policy to fix a final deadline for submission of corrections. Failure to act may result in additional time to complete UNCC's work programme and in additional costs.

11. Another area of concern is the substantial number of claim queries received by UNCC. Although not obligated to do so, UNCC's policy has been to respond to queries involving substantive issues. This occupies a substantial amount of staff time, which has impacted on UNCC's ability to complete claims. In order to avoid excessive time being spent on queries, UNCC should establish a policy limiting the nature of claims it will reply to and impose a time limit for the submission of queries. Claimants should be advised of these deadlines.

12. Processing late claims is another factor that may limit UNCC's ability to complete its work programme on schedule. While it is not known how many late claims will be submitted, past experience indicates that they could involve substantial work. In our view, UNCC needs to review late claim policies and inform the GC of the impact on UNCC's work.. In addition, it may be feasible for UNCC to assign a single claim section to be responsible for handling all late claims in order to avoid disrupting ongoing work on current claim instalments.

#### **Recommendations 1, 2, 3 and 4:**

- (i) UNCC should propose the establishment of realistic time frames for accepting article 41 corrections, thereby enabling UNCC to



better plan its work programme and eliminate the current uncertainties that result from non-enforcement of the current rule (AF01/33/1/001);

(ii) UNCC should formulate policy guidelines for approval by the GC regarding acceptance of late claims in order to allow for the orderly processing of claims and completion of the work programme (AF01/33/1/002);

(iii) UNCC should revise its policy for handling substantive queries arising from awards, which would allow it to better plan its work schedule (AF01/33/1/003); and

(iv) UNCC management should carefully monitor claims processing in order to determine the reasonableness of requests for extensions so as not to unnecessarily extend the work programme (AF01/33/1/004).

13. *In response to the draft audit report, management agreed with recommendation 001, stating that "as rightly pointed out, UNCC needs a more realistic deadline for requests for article 41 correction..." They also informed us that this matter continues to be discussed with the GC. Recommendation 001 has been closed. Regarding recommendation 002, UNCC disagreed with the recommendation stating that the GC sets requirements for accepting late claims. We point out, however, that UNCC may be able to provide the GC with valuable input on procedures, alternative options for the acceptance of late claims, and the implications on UNCC's work as a result of the procedures adopted. These issues were not addressed in UNCC's response to the draft audit report. In order to close recommendation 002 we request that further clarification be provided as to how UNCC plans to address this issue.*

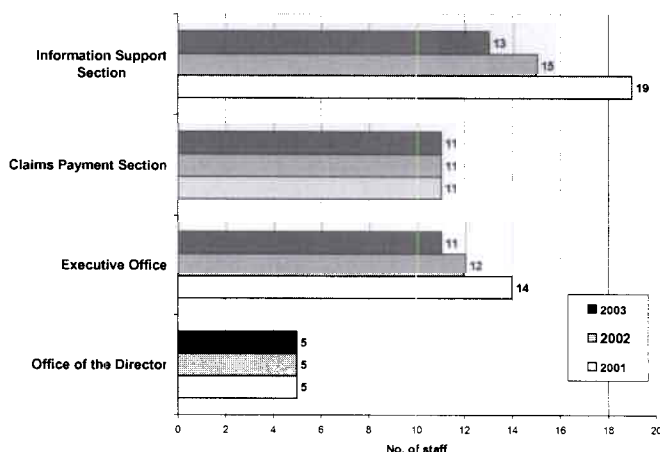
14. *UNCC management agreed with the recommendation 003, and stated that the current policy "need(s) to be reconsidered in light of the number of queries and the amount of time it takes to respond to them." In order to close this recommendation we would appreciate being informed of the results of the reconsideration of the current policy.*

15. *UNCC management stated, in their reply to recommendation 004, that the deadlines in the work programme "are merely targets set by the secretariat for completion of processing of the various claims instalments." Furthermore, the Panel of Commissioners may vary the time required by up to six months. They also informed us that they were "...extremely mindful of the need to avoid any unnecessary extensions. While we acknowledge that the Panel of Commissioners may adjust the completion time within this range, we also note that UNCC management has made a commitment to complete the work programme by the end of 2003. The recommendation has been closed.*

### Support sections' phase out plans need to be clarified

16. The Support Services Division (SSD) - which encompasses the Claims Payment Section (CPS), the Information Support Section (ISS) and the Executive Office (EO) - provides essential support for substantive sections. The proposed phase-out plan provides for minimal staff reduction in some sections until the end of 2003 as illustrated in Figure 2. In our view, there is a need to further review the activities carried out by SSD in order to fully explore the possibility of early reduction of its activities. For example, certain EO staff members are responsible for building services, procurement, travel, personnel and budgeting functions. It is likely that the need for some of these activities will decline, by the end of 2002, and that some of them can be handed over to UNOG.

Figure 2 - UNCC Projected Staffing Levels for SSD



17. In our view, outsourcing certain services could also be a viable option to assist with the orderly phase-out of activities. For example, informal discussions have been held with the International Computing Centre (ICC) to absorb some ISS staff and for UNCC, in turn, to enter into an agreement under which ICC would provide information technology support services. This option would improve management's flexibility by:

- Reducing the number of staff on UNCC's payroll;
- Providing flexibility to reduce staff as required;
- Providing employment opportunities for UNCC staff, who may have to leave at the end of the work programmed; and
- Providing necessary services after 2003 in a cost effective manner.

18. *In response to a recommendation in an audit observation issued during the audit, UNCC confirmed that confidential negotiations had been taking place with ICC and that further negotiations were being planned. Management also indicated that they would continue to explore this option if it was cost-effective and provided effective support.*

19. We were also informed that major IT systems developments had largely been completed, and as such, future ISS activities would focus on minor system enhancements and support of current applications. Our interviews with legal service section chiefs confirmed that they did not anticipate requesting additional IT system development to support claims processing work. As such, we believe

that any future requests for new IT applications should be carefully scrutinized for cost effectiveness and alternative solutions proposed bearing in mind the need to gradually phase out ISS staff.

20. We reviewed the work performed by the CPS and agree its activities – to make payments and ensure that the distribution of payments by governments is adequately monitored - are essential to maintain UNCC's credibility. Our review found that workloads are high and the current, staffing levels appeared barely adequate. As a result, temporary assistance is being used. It is likely that workloads will remain high until the first part of 2002, when it is anticipated that the large number of smaller claims will be finalized. In our opinion, at that time, there will be a need to assess the work requirements to determine what staff reductions are feasible.

#### **Recommendations 5 and 6:**

(i) The UNCC Information Support Section should not enter into any new IT development projects but instead focus on support activities including minor enhancements of current systems if needed. Any requests for additional IT development should be carefully scrutinized by management and full justification provided by the end user including exploration of available alternatives (AF01/33/1/005); and

(ii) UNCC management should: ensure that CPS is adequately staffed; conduct a full review of CPS staff requirements no later than the end of 2002; and make appropriate reductions based on the extent of projected work (AF01/33/1/006).

21. *With regards to recommendation 005, UNCC management agreed that in principle it does not intend to enter into any new IT development projects. However, it was indicated that they could not preclude additional development work for the processing of environmental claims. OIOS agrees with this conclusion. However, any additional development work at this stage should be reviewed and fully justified. Management was in agreement with recommendation 006, stating that that staffing of the Claims Payment Section and the whole of UNCC is currently under review and that this will include preliminary projections for post-2003 requirements. Recommendation 005 and 006 have been closed.*

#### **A phase-out planning capacity needs to be established**

22. UNCC has unique characteristics which will impact on its ability to complete its operations. It has a specific mandate to fulfil within a fixed five-year time frame ending in 2003. Therefore, the main challenge for UNCC, during the transition period, will be to complete substantive programme activities while streamlining operations by eliminating unnecessary substantive and support functions. In order to achieve a successful phase-out UNCC has to establish an appropriate management capacity to handle the various tasks. The preliminary plans, prepared by several sections, represents a good initial effort to deal with the phase-out tasks, but it is our understanding

that these plans have not yet been reviewed. UNCC management is very much aware of the need to plan phase-out activities and has taken some steps toward this end. In our view, however, a management committee should be established for:

- Planning the liquidation tasks to be performed;
- Organizing the activities needed to carry out the plans;
- Determining the procedures to be followed and assigning tasks;
- Monitoring progress in completing the tasks; and
- Addressing staffing issues which may arise.

Initially, it may be sufficient for the committee to meet on a monthly basis, although this may increase as the phase-out date approaches.

#### **Recommendations 7 and 8:**

- (i) UNCC should establish a management committee chaired by the Executive Secretary to: oversee phase-out planning activities; ensure that responsibility for specific tasks has been assigned; monitor progress; and amend plans based on need (AF01/33/1/007); and
- (ii) UNCC should establish a system to monitor phase-out tasks in order to assess progress and to address obstacles in a timely manner (AF01/33/1/008).

23. *Management agreed with recommendations 007 and 008 and indicated that the "...recommendations are fully in line with our intention to continue management oversight of planning and implementation of an orderly phase out of UNCC activities." It was also indicated that the "...preliminary plan for phasing out of the various UNCC sections was undertaken early this year in preparation for the management review."* In order to close recommendation 007, we would appreciate being apprised of the planned date to establish the management committee, its composition, and its responsibilities. Recommendation 008 has been closed.

#### **Staffing issues need to be resolved**

24. One of UNCC management's chief concerns has been the development of a strategy to retain professional staff members, especially legal staff who comprise approximately 53 per cent of professional staff, and are key to effectively processing claims. This strategy focuses primarily on retaining existing experienced staff by providing incentives in order to avoid recruiting and training new personnel. While we consider the use of retention measures to be useful in encouraging staff members, especially professional staff, to stay with UNCC until the work programme has been completed, it is questionable whether these measures alone will achieve the intended results in view of the high turn-over rate for professional staff. Training new staff members on UNCC procedures and having them assume existing cases, can take from three to six months. Therefore, we believe that

a more diversified strategy is necessary to mitigate the risks associated with obtaining staff resources. While management have several strategies at its disposal, these have not been fully explored. It is essential that a concrete plan of action be developed to ensure adequate staffing until the end of 2003, which should include:

- Strengthening the UNCC roster of qualified professional staff, especially legal specialists;
- Following up on the possibility of entering into agreements with legal firms to second staff to UNCC;
- Whenever feasible, developing a plan to retain legal staff whose contracts were not to be extended, in order to replace staff leaving on their own accord; and
- Outsourcing certain aspects of the operation when feasible.

25. *In its response to an audit observation on this issue, UNCC management agreed with the recommendations to adopt alternative strategies to ensure that adequate staff resources will be available. In their reply to the draft audit report, management provided additional comments indicating that the measures proposed in paragraph 24 above, had for some time been their policy. In response to the draft audit report, we were pleased to learn that UNCC had recently implemented a pilot project to enter into agreements with legal firms to second staff to UNCC. OIOS looks forward to being advised of the results of the pilot project.*

Further action is needed to implement staff retention measures

26. The Department of Management (DM) has delegated wide-ranging authority to UNCC on personnel matters. In January 2000, the Under-Secretary-General for Management approved additional delegation as a measure requested by UNCC to provide incentives to retain staff. Delegated authority on personnel matters include:

- Exemption from submitting selected staff to appointment and promotion bodies;
- Exemption from issuing vacancy announcements;
- Ability to offer staff members indefinite contracts;
- Reduced seniority requirements for promotion;
- Promotions for “team leaders” to the P-5 level for the final two years of operation; and
- Budgeting for P-2/P-3 level posts at the P-3 level.

27. In an informal meeting of the GC Working Group held on 14 March 2000, serious concern was expressed that a proposed plan to pay termination benefits “...may set new precedents within the UN system.” Concern was also expressed “...about the Commission’s authorization from headquarters to apply reduced eligibility requirements for promotion of UNCC staff.” In view of the GC’s concerns, the implementation of these measures was postponed. In our opinion, bearing in mind the special nature of UNCC, granting contracts beyond the termination date and paying indemnity is a reasonable management strategy in order to retain staff.

28. If the proposed retention measures were implemented, it would be prudent to include certain clauses in staff contracts setting out the basis for payment of the incentives. These should include obtaining the staff member's agreement to remain with UNCC for the entire period required, and granting promotions to the P-5 level for "team leaders" retroactively (as suggested in DM's memorandum of 25 January 2000). Moreover, any promotions granted under the delegation of authority should only be made on the basis of satisfactory performance and review by UNCC's appointment body.

29. *Management agreed with our audit observation on this issue, and indicated that they will consult informally with the GC. They also agreed that employment contracts will include appropriate clauses specifying the terms for granting exceptional benefits. Furthermore, UNCC indicated that the contractual amendments would be cleared with the Office of Legal Affairs (OLA) and the Office of Human Resources Management (OHRM).* However, in our view, UNCC needs to take further action not only to implement the retention measures but also to establish a policy on how these measures are to be implemented in order to ensure that they are applied in a fair and consistent manner.

#### **Recommendation 9:**

UNCC should develop policy guidelines establishing the basis for entitlement to incentives and indicating at what stage such entitlements will be implemented. The guidelines should include policies for awarding promotions retroactively to team leaders and other staff, the basis for offering indefinite contracts and the criteria for offering other entitlements in the future (AF01/33/1/009).

30. *UNCC management confirmed that steps are being taken to implement policies to ensure transparency and equity with regard to those measures that are already under implementation. Management also pointed out the need to distinguish between delegation made in June 1999 and delegation for the staff retention incentives authorized in January 2000 that have not yet been implemented due to concerns expressed by the GC on some of them.* The recommendation has been closed.

#### **B. Management structure**

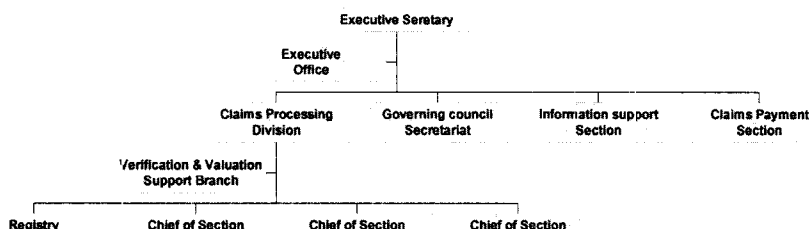
31. We also assessed the current management structure in order to identify any changes required as a result of completing the work of various claims processing and support sections over the next two years. Our review showed that the current management structure has provided effective support for processing claims. However, with the scheduled completion of the F1, F2 and F3 claims categories at the end of 2001 and the E1 and E/F categories at the end of 2002, certain adjustments should be made to the management structure in order to provide a more responsive organization. In total, 29 staff members work in these claims sections. In addition to changes in these categories, there are also other structural adjustments that should be taken into account. For example, it is expected that the SSD Director will retire in mid-2002. In view of the impending phase-out, we do



not believe that the Director should be replaced. In this regard, we were also informed that there are no plans to recruit a Chief for the Legal Services Branch (LSB), which has been vacant for approximately one year.

32. After completing work in the claims categories mentioned above, opportunities exist to reduce staff and reorganize the CPD. Furthermore, there are three legal staff and four GS staff in the LSB performing various focal point functions. In view of the fact that many of these functions may no longer be required, the CPD should determine the staff reductions that will become feasible at the end of 2001. Furthermore, with the work continuing in A, B and C categories, which has been performed by various CPD sections, there may be an opportunity to rationalize the work structure by assigning distinct responsibility for handling these claim categories as well as other issues such as late claims filing and substantive queries. Figure 3, shows a possible organization structure in 2002, once the changes indicated above are implemented.

**Figure 3 - UNITED NATIONS COMPENSATION COMMISSION**  
**Possible Organization Structure - 2002**



33. The procedure for reducing staff upon finalizing a claim category also needs to be clarified. According to the CPD section, proposals have been made to retain the services of staff members after the approval of the

claim panels. In our view, there may be some temporary need for personnel to organize documentation, etc. However, we believe that a fixed period should be established to retain personnel after approval by the panel in order to avoid unnecessarily retaining staff whose work has been completed. Based on discussions with UNCC management, a maximum retention period of three months, subsequent to panel approval, would be realistic. In addition, it is likely that the claim section team leader and one legal assistant would be required until GC approval and for the 60-day article 41 periods. In any case, staffing should be reduced appropriately, following completion of claim categories F1, F2 and F3.

#### **Recommendations 10, 11, 12 and 13:**

(i) After the work of the F1, F2 and F3 claims processing sections is completed at the end of 2001, management should reduce staffing levels appropriately, determine whether the remaining D1 and D2 claims in this section should be transferred to another section; or whether to consolidate the outstanding work of the A, B and C claims processing sections into this section (AF01/33/1/010);

(ii) In order to allow for the orderly reduction of staff once the work of a claim section has been completed, UNCC should establish a policy to retain the claims section staff for a maximum period of



three months to complete ancillary clean-up tasks. Furthermore, if justified, one professional and one legal assistant could be retained until the end of the article 41 period (i.e. 60 days after decision by the GC) to handle any queries (AF01/33/1/011);

(iii) UNCC should not fill the SSD Director's post when it becomes vacant, which will allow for rationalizing the current structure. As a result, staff currently reporting to the SSD Director should report directly to the ES (AF01/33/1/012); and

(iv) UNCC should review the focal point activities carried out by Legal Services Branch staff, to determine if all of the functions are needed. Moreover, since there is no intention to fill the LSB Chief's post, which has been vacant for approximately one year, the organization structure should reflect this arrangement (AF01/33/1/013).

34. *With regard to recommendation 010, UNCC management indicated that "...as the various claims units are completed, the related posts will be terminated accordingly." However, UNCC felt it may be necessary to retain this unit due to the creation of an additional category of claims, which it will handle. Management expressed their agreement with recommendation 012 and indicated that they did not intend to fill this post. Based on UNCC's comments we have withdrawn recommendation 010 and closed recommendation 012.*

35. *UNCC management agreed with recommendation 011 that staff must be phased out within a reasonable period as the unit's work is completed. However, they indicated that they should remain flexible in this regard and a three-month retention period should not be arbitrarily applied. We maintain, however, that a flexible procedure should be established with a three-month extension period being the standard retention period. This will provide management with a basis to judge the appropriateness of retaining staff beyond this period. In order to close recommendation 011 we request additional information on UNCC's plans in this regard.*

36. *Regarding recommendation 013, UNCC management expressed their disagreement stating that it is necessary to retain the LSB and also stating that the activities carried out by staff of the LSB will continue to be required. However, the reply did not explain the reporting arrangements for this division in the absence of a chief of LSB, or how the work of the staff in the Branch will be monitored. We consider these to be issues that need to be addressed in order to ensure that the branch is functioning properly. We would appreciate being informed of the reporting and monitoring arrangements in order to close this recommendation.*

### **C. Post-2003 activities**

37. It may be premature to plan extensively for post-2003 activities at this stage. It is anticipated that all claims, except for the F4 environmental claims, will be completed by this time. However, it

is uncertain if UNCC will be required to perform other tasks such as monitoring the use of F4 claim payments. It is also likely that claims payments will continue after 2003. Certain decisions adopted by the GC and the need for continued claim progress payments necessitate some CPS presence. In our view, however, it may be feasible for the CPS to work within UNOG or UN Headquarters finance departments as an independent unit. Furthermore, it is anticipated that support for the F4 claims section will largely be provided by UNOG.

#### **Recommendation 14:**

For the period after 2003, UNCC should consider making arrangements to transfer the CPS to a unit within UNOG or, possibly, to UN Headquarters finance sections, in order to make claim payments and associated activities which are likely to continue (AF01/33/1/014).

38. *UNCC management agreed with recommendation 014 and stated that "...the claims payment function will logically be assumed by UN Headquarters or UNOG at a later stage..." However, the support needed for F4 claims was still unclear.* We also agree with UNCC management that decisions on support should be taken in the context of the overall planning for the phase-out of activities. The recommendation has been closed.

#### **D. Document management**

##### An archiving policy needs to be developed

39. In view of the large quantity of claims documentation, we reviewed UNCC records management practices to determine if an archiving policy had been developed. Currently some 2,400 m<sup>2</sup> of space is used at an annual cost of CHF 267,027 (\$155,248) for storage of claim related records. This includes a number of duplicate records, which UNCC is in the process of identifying and destroying. In addition, records held in electronic form such as the claims database and e-mail correspondence should also be considered as a part of the UNCC record. In this regard, we found that UNCC had not developed a policy to determine which records should be retained once the work of UNCC has been completed and for how long. In the absence of such a policy it has not been feasible to determine an appropriate records retention strategy.

40. In recognition of the need to have a policy on archiving, attempts were made in 2000 and 2001 by the Registrar and the Chief, ISS to formulate a policy. The procedures used by other UN organizations were examined but it was found that there was a need to first determine the nature and extent of the documentation to be archived. The Registrar referred to the Archives and Records Management Section (ARMS) policies, which are spelled out in ST/SGB/242 and ST/AI/326. No action has yet been taken on any of the proposals. The issue has now become more urgent as UNCC nears the completion of some work programmes; raising concern about proper handling of claim processing records.

41. We determined that the previous initiatives were not properly followed up because there was no officially designated focal point within UNCC or a clear action plan. The Special Assistant to the ES plays an unofficial focal point role, but this had been limited to data gathering related to archive issues. We also determined that the policy development process has also been hampered by the lack of consultation with relevant parties, including ARMS. ARMS guidelines indicate that it will work with offices in reviewing their records and record retention requirements. However, UNCC has not taken advantage of this arrangement. Moreover, once a general policy outline has been agreed to, UNCC should consult other parties including OLA, the Office of the Iraq Programme (OIP), and DM, including the Controller's Office to obtain their comments on the proposed retention policy.

42. In the absence of a clear document retention policy, exploring various archiving options was inevitably limited. Options considered to date include:

- Digitizing claims documents. This limited study was based on the assumption that there would be a need to retain the claim documents for a long period or perhaps permanently. The study concluded that an estimated 38 man-years plus other related cost of some CHF 300,000 (\$174,419) would be required.
- Physical archiving. It has been estimated that about 1,100 m<sup>2</sup> of space would be required to store original claim files and other related documents with the current filing arrangement in the basement of International Centre Cointrain (ICC), at a cost of about CHF110,000 per year (\$63,953). An alternative physical storage arrangement would involve converting the ground floors of two offices currently occupied by UNCC in UNOG. Based on the current UNOG rental rates, the ground floors with about 500 m<sup>2</sup> would cost \$111,325 annually until May 2006 and \$182,500 thereafter when the reduced rent charge period for La Dependence expires.

43. We also found that potentially less costly alternative arrangements had not been considered. These include outsourcing records management to a specialist company. In our view, a more comprehensive assessment of the available options is required.

#### **Recommendations 15, 16 and 17:**

(i) UNCC should: (a) identify the extent of records, including those not held by the Registry, which have to be retained; (b) initiate an interdepartmental meeting in order to formulate a documentation policy which considers the views of other UN departments including the DM, OIP, and OLA; (c) consult with the ARMS on records retention measures; and (d) formulate a final records retention policy (AF01/33/1/015);

(ii) Once a document retention policy has been established, UNCC should evaluate various alternatives for archiving records in order to ensure ready access to the documents in the most cost

effective and efficient manner (AF01/33/1/016); and

(iii) UNCC should appoint a focal point responsible for coordinating the development of the retention and archiving policy (AF01/33/1/017).

44. UNCC's reply to recommendation 015, 016 and 017 provided details of the work done to date to establish a records retention and archiving policy. It was indicated that OLA and the New York Headquarters' archivist had been contacted to discuss procedures. Furthermore, we were informed that the "management committee" would assume the functions of establishing a policy function for archiving. Recommendation 016 has been closed. In order to close recommendations 015 and 017, we would appreciate being provided with a copy of the correspondence and reply from OLA and a record of the meeting with ARMS. Furthermore, a records retention policy needs to be developed on a timely basis and a focal point should be appointed to be responsible for coordinating the records retention and archiving policies. We therefore also request to be informed of who will be responsible for coordinating the retention and archiving policies.

#### **E. Other administrative issues**

##### Other liquidation activities should be properly planned

45. Currently, UNCC operates in three locations with the majority of its staff located in the ICC building close to Geneva International Airport. The Executive Secretary and administrative staff are located in the Villa La Pelouse and La Dependence in the UNOG compound. Space is occupied as follows:

<b>Location</b>	<b>No. of staff</b>	<b>Sq. Metres</b>	<b>Annual Rent (\$)</b>	<b>Rent/Person (\$)</b>
ICC	182	5,337	1,293,462	7,107
La Pelouse	12	668	243,820	20,318
La Dependence	47	1,093	*	*

\* An annual rent of \$88,715 is paid in addition to the renovations costs of \$3,113,236 prepaid by UNCC, amortized over 10 years until May 2006.

46. The utilisation ratio for La Pelouse is the lowest among the three locations. UNCC explained that this should be viewed in conjunction with the common space such as meeting rooms provided at La Pelouse. However, in the absence of a detailed analysis, it would be worthwhile to further examine whether the space utilisation in the La Pelouse can be improved. We also noted that there is no plan to surrender these premises after 2003, when rent-free space will be available in La Dependence.

47. Furthermore, we were informed that as the office space requirement is subject to progress on the implementation of the work programme, no comprehensive plan has been prepared. UNCC has made arrangements to cancel any part of the rent contracts for ICC by giving three months notice

except for the few office blocks which require six months notice. With regard to the space in the UNOG compound, UNCC explained that it has been charged on the basis of actual occupied space and that the three months notice rule is applicable. However, we noted that this arrangement has not been documented.

**Recommendation 18 and 19:**

- (i) UNCC should develop a plan to optimise the use of office facilities as staff is reduced, and should give priority to the effective utilization of La Dependence which is pre-paid until May 2006 under an agreement with UNOG to amortize the renovation costs of approximately \$3 million (AF01/33/1/018); and
- (ii) UNCC should make arrangements with UNOG to formalize rental terms for La Pelouse and La Dependence, including the basement of La Pelouse (AF01/33/1/019).

48. UNCC management agreed with recommendation 018, stating that “...very careful attention will continue to be paid to the effective utilization of space, bearing in mind the ‘pre-paid’ status of the Dependence and reducing any excess rental space as it becomes available.” UNCC also felt that due regard should be given to the fact that a large portion of La Pelouse is used for meeting space. Regarding recommendation 019, UNCC informed us that the UNOG Chief of General Services had been advised of the situation and that appropriate documentation would be prepared. In order to close recommendation 018 we would appreciate being provided with the plan for the utilization of premises. In addition we request that a copy of the document with UNOG be provided in order to close recommendation 019.

A plan needs to be developed for disposal of expendable equipment

49. UNCC has not developed a plan for disposing of its non-expendable equipment, which has a total acquisition value of approximately \$1.7 million. Computer equipment, including \$273,000 of obsolete network equipment identified for write-off in April 2000, accounts for the majority of the total. While it was not clear whether this case had been presented to the UNOG Local Property Survey Board, UNCC had been unofficially informed by UNOG that the sales effort had not been successful and that the equipment would have to be discarded. Apart from the non-expendable items, UNCC also maintains records of approximately \$1 million worth of items, valued under \$1,500, for internal control purposes. While the amount of equipment is substantial, a disposition plan had not been prepared. In our opinion, the disposition of equipment should coincide with reductions in work in order to avoid delays at the end of the programme.

50. We also reviewed the budget requirements for the next biennium and discussed them with UNCC Executive Officer. We found that UNCC had been replacing computer equipment in accordance with the UN replacement policy. We were informed that of the 56 workstations proposed for replacement in the current biennium, about 30 units would actually be replaced. While we

recognize the importance of keeping up to date with technology, at this stage, any replacement or new purchase should be examined carefully in terms of expected utilization. Moreover, alternatives such as leasing or outsourcing should be considered for the short period of expected use.

**Recommendations 20, 21 and 22:**

(i) UNCC should identify the nature and extent of current inventories of expendable and non-expendable equipment in order to establish a disposal strategy. UNOG should be consulted in order to determine which procedures should be used for the timely disposal of equipment (AF01/33/1/020);

(ii) In order to ensure that there is a consistent policy for disposal of equipment purchased with Security Council Resolution 986 funds, UNCC should consult with the Office of the Iraq Programme to determine if there are any special requirements or procedures to be followed (AF01/33/1/021); and

(iii) If computers and or other equipment has to be replaced, UNCC should ensure that any proposed purchases are carefully reviewed and compared against other options such as leasing in order to ensure that funds are used in a cost-effective manner (AF01/33/1/022).

51. *Regarding recommendation 020, UNCC management indicated that an expendable equipment inventory was done in 2000. We were also informed that it was unlikely that inventories could be reduced until 2003 at which time UNCC would seek approval from UN Headquarters to establish a Local Property Survey Board. We have closed recommendation 020. UNCC did not respond to recommendation 021. In order to close recommendation 021, we request that UNCC management inform us whether OIP has been consulted on special requirements or procedures to be followed in disposing of equipment purchased with SCR 986 funds. While we support the establishment of a Local Property Survey Board for UNCC, we believe that approval should be obtained as soon as possible so as not to delay the disposal of expendable and non-expendable equipment.*

52. *UNCC informed us that they had adopted a policy of "cannibalisation" of outdated equipment in order to provide parts for existing computer equipment whenever feasible. Hence it was felt that there may be no need to purchase or lease additional computer equipment unless there was some urgent requirement. We have closed recommendation 022.*

UNOG should be kept informed of relevant developments

53. A memorandum from the UNCC Executive Officer dated 15 March 2001 addressed major administrative issues regarding personnel, finance and general services, for which will require a



detailed plan. Personnel matters, separation formalities and file closures were identified as major tasks to be carried out by two staff members after completion of the work programme in 2003. Regarding finance issues, closing UNCC accounts by one staff member was identified as another necessary task. We also found that the preliminary phase-out plan calls for a six-month liquidation period for disposing of equipment and closure of the premises. In our view, this time frame appears excessive, especially if a plan is developed to gradually phase out these activities before the end of 2003. The memo also suggested that administration of the UNCC liquidation staff should be turned over to UNOG at some point.

54. While we agree that the above are the most significant administrative areas to be reviewed, it should be emphasized that these issues cannot be fully addressed without considering how they relate to UNOG. UNOG is currently providing administrative services within the framework of delegated authority, and thus will logically take over the remaining follow-up of outstanding activities after the primary liquidation process has been completed. As such, UNOG's involvement during UNCC's phase-out planning is warranted. However, this issue has not been specifically addressed.

### **Recommendation 23**

UNCC management should finalize a plan to determine which administrative activities can be transferred to UNOG, and establish an appropriate time line in order to ensure that there will be a smooth transition of activities by the end of 2003 (AF01/33/1/023).

55. *UNCC management agreed that options to liquidate UNCC would be discussed with UNOG in order to come up with effective and efficient plans. It was also stated that a six-month liquidation period is hardly excessive in the experience of peacekeeping missions.* Recent experiences in peacekeeping missions have shown that liquidations can be accomplished very quickly with proper planning and good management practices during the life of the mission. In addition, peacekeeping missions have much larger numbers of personnel and equipment. Hence there is little comparison with UNCC which has a known phase-out period in which it can plan for an orderly liquidation. We have closed this recommendation but will follow up on its implementation in future audits.

## **V. ACKNOWLEDGEMENT**

56. We wish to express our appreciation for the assistance and cooperation extended to the auditors by UNCC.

Esther Stern, Director  
Audit and Management Consulting Division, OIOS